

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 IO-11 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /104 W

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R 271043Z FEB 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 3894

INFO AMEMBASSY BERN

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

USDEL MTN GENEVA

AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

USMISSION OECD PARIS

LIMITED OFFICIAL USE PRETORIA 0866

CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN SF EINV ETRD

SUBJ: RESERVE BANK GENERAL MANAGER TALKS TO DIPLOMATIC
CORPS ECONOMIC REPS

1. RESERVE BANK GENERAL MANAGER (SOON TO BE DEPUTY GOVERNOR)
STALS SPOKE TO LUNCH OF ECONOMIC OFFICERS FROM EMBASSIES IN
PRETORIA FEB 26.

2. STALS REVIEWED SA BALANCE OF PAYMENTS. HE SAID 1975 CURRENT
ACCOUNT DEFICIT WAS ABOUT TWICE 1974 FIGURE OF 870 MILLION RAND,
ALTHOUGH AT BEGINNING OF 1975 BANK WAS PROJECTING A DEFICIT OF
400 TO 500 MILLION FOR THE YEAR. HE PUT BLAME FOR SERIOUS
DETERIORATION LARGELY ON GOLD PRICE AND SLOW PACE OF RECOVERY IN
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OECD ECONOMIES. HE IMPLIED PLANNING AT THIS TIME LAST YEAR WAS

BASED ON GOLD PRICE OF ABOUT \$160 BUT SAID PRESENT PLANNING ASSUMES \$130 AVERAGE IN 1976. HE PROJECTED ONE BILLION CURRENT ACCOUNT DEFICIT THIS YEAR BUT HINTED THAT EVEN THIS LEVEL IS TOO HIGH AND THAT SA SHOULD NORMALLY PLAN ON 500-600 MILLION CURRENT ACCOUNT DEFICIT IN AVERAGE YEAR. HE SAID THAT THIS IS ABOUT THE AMOUNT OF LONG-TERM CAPITAL INFLOW THAT COUNTRY CAN EXPECT IN NORMAL YEAR. DEFICIT OF 1700 TO 1800 MILLION LAST YEAR WAS FINANCED TO UNCOMFORTABLE EXTENT BY SHORT-TERM BORROWINGS OF RESERVE BANK. IN ANSWER TO A QUESTION HE SAID RESERVE BANK STILL FINDS IT EASY TO FIND SHORT-TERM MONEY FROM OTHER CENTRAL BANKS AND FROM COMMERCIAL BANKS ABROAD BUT THAT STATE CORPORATIONS AND PRIVATE BORROWERS FINDING FOREIGN LOANS HARDER TO COME BY AND MORE EXPENSIVE RELATIVE TO WHAT OTHER PRIME BORROWERS MUST PAY.

3. STALS CALLED RECENT DIRECT CONTROLS ON BANK LENDING (SEE SEPTTEL) A RADICAL MEASURE BUT ONE NEEDED TO CONTROL LIQUIDITY BEING PUMPED INTO THE ECONOMY BY GOVERNMENT SPENDING. HE IMPLIED THAT 1975/76 BUDGET WOULD CONTROL SPENDING TIGHTLY EXCEPT FOR THE MAJOR ITEM OF DEFENSE. HE ALSO NAMED ARMS IMPORTS AS ONE IMPORTANT CAUSE OF THE RECORD TRADE DEFICIT LAST YEAR. (FIGURES ON ARMS TRADE ARE LUMPED TOGETHER WITH OTHER TRADE IN RESERVE BANK FIGURES.)

4. STALS ALSO SAID RESERVE BANK QUARTERLY BULLETIN FOR MARCH WILL CONTAIN RESULTS OF A MAJOR SURVEY OF FOREIGN ASSETS AND LIABILITIES OF SOUTH AFRICA. (PRESENT RESERVE BANK FIGURES ARE BASED ON ANNUAL UPDATES OF SURVEY NOW SOME 18 YEARS OLD. WE UNDERSTAND NEW SURVEY WILL SHOW MUCH LARGER FOREIGN INVESTMENT THAN REVEALED IN RECENT ISSUES OF BULLETIN.)
EDMONDSON

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